

**Supporting Statement for the Discontinuation of the
Monthly Survey of Industrial Electricity Use
(FR 2009a,b,c; OMB No. 7100-0057)**

Summary

The Board of Governors of the Federal Reserve, under delegated authority from the Office of Management and Budget (OMB), proposes to discontinue the Monthly Survey of Industrial Electricity Use (FR 2009; OMB No. 7100-0057). This voluntary survey collects information on the volume of electric power delivered during the month to classes of industrial customers. There are three versions of the survey: the FR 2009a and FR 2009c collect information from electric utilities, the FR 2009a in Standard Industrial Codes (SIC) and the FR 2009c in North American Industry Classification System (NAICS) codes. The FR 2009b collects information from manufacturing and mining facilities that generate electric power for their own use (cogenerators). The annual reporting burden that would be eliminated by the discontinuance of this survey is 2,820 hours.

The electric power data are used in deriving the Federal Reserve's monthly index of industrial production (IP) as well as for calculating the monthly estimates of electric power used by industry. The IP index is widely used by the Board and the Federal Open Market Committee (FOMC), other government agencies, businesses, and academia for economic analysis, policy review, and research. The national media report the monthly release of the index, a subject of considerable public interest. The IP index is also a basic component of the Federal Reserve's measure of capacity utilization, which is followed by similar groups of users. In addition, several Federal Reserve Banks use the electric power data for estimating regional production indexes. The industrial production, capacity utilization, and electric power statistics are published monthly in the Federal Reserve's G.17 statistical release, Industrial Production and Capacity Utilization.

The reliability of the FR 2009 data has decreased in recent years due to industry consolidation that resulted from the deregulation of the electricity markets. Since 1997 the panel size has decreased by about 30 percent and the coverage of the panel in terms of the amount of electric power used by industry has also fallen about 30 percent. Consequently, the electric power data have become unacceptably volatile and have required a significant increase in staff resources to continue the use of these data in the construction of industrial production.

Background and Justification

From its earliest days, the Federal Reserve has been interested in timely measures of economic activity. In 1919, it began to publish monthly indexes of the "physical volume" of domestic trade, which in the 1920s evolved into the monthly index of industrial production.¹ The index measures the output of the industrial sector of the economy, which is defined to

¹ *Industrial Production - 1986 Edition* (Board of Governors of the Federal Reserve System, 1986), chap. 9, contains a history of the IP Index through the mid-1980s. The index has continued to evolve since then, with modifications and improvements regularly described in articles published in the *Federal Reserve Bulletin*.

include manufacturing, mining, and electric and gas utilities. Together with construction, the output of these major industry groups accounts for the bulk of the cyclical variation in the total output of the nation's economy.

The electric power data collected from a sample of utilities and cogenerators covering the twelve Federal Reserve Districts have been used in the construction of the Federal Reserve's measures of industrial production in two ways: (1) The month-to-month movements of about 20 IP series currently are based on electric power data (11 percent of IP). (2) For series whose month-to-month movements are based on production worker hour data, electric power is used to estimate the productivity correction for the recent period (for about 20 percent of IP).

Description of Information Collection

The Monthly Survey of Industrial Electricity Use consists of three forms, the FR 2009a, FR 2009b, and FR 2009c.

FR 2009a and FR 2009c. The FR 2009a collects the number of kilowatt hours of electric power delivered to firms in manufacturing and mining industries broken down by customer SIC while the FR 2009c collects the same data broken down by customer NAICS code. In some cases where deregulation is proceeding slowly, power delivered is still obtained from sales data. However, utilities that were contacted by the Federal Reserve all confirmed that all power delivered through the utilities' system were reflected in the reports received. On average, a completed FR 2009a report will contain 120 3-digit SIC subtotals, corresponding to the SIC categories of the customers to which the respondents sell. Each subtotal represents sales of electric power, in thousands of kilowatt hours, based on monthly meter readings. Reporting on the FR 2009c follows a similar pattern.

Each utility reports data monthly in the format that is most convenient for the utility. Some of the utilities use the FR 2009 reporting form provided by the Federal Reserve; others submit computer printouts designed specifically to provide the data requested or computer printouts designed for the respondent's own use. The latter format is used most often. Because respondents typically process the data for internal use, responding to the FR 2009 usually involves only the small task of generating an additional printout. When problems are identified or data appear questionable, the Federal Reserve contacts respondents by telephone.

FR 2009b. The FR 2009b collects, from manufacturing or mining firms that generate part or all of the electric power they used in production operations (cogenerators), the amount of power generated and used in the single code that applies to them. The FR 2009b reporting forms incorporate the NAICS standard. Cogenerators use the simpler reporting form since most of them utilize all of their power in one establishment. The Federal Reserve also handles follow-up communication with these respondents.

Proposed Revision

After assessing the performance of the survey over the past year, the staff proposes discontinuing the FR 2009 for the reasons listed below. The discontinuance would be effective prior to the first scheduled report period following the approval of the discontinuance.

- The statistical properties of the electric power survey deteriorated markedly following the deregulation of electricity markets. The deregulation occurred first in California in the late 1990s and the effects have become widespread and acute. Due to industry consolidation some utilities ceased reporting data to the Federal Reserve. Others ceased reporting data when the generation of electricity and its distribution to final customers were divorced, which made determining the quantity of electricity sold to various industries too burdensome for respondents. As a result, some Reserve Bank districts no longer have coverage. Moreover, this deterioration has been uneven across industries, with particularly acute losses in industries such as chemicals, furniture, machinery, and textiles.
- The number of respondents in the electric power panel has decreased by about 30 percent since 1997. (Accordingly, the authorized panel size was reduced in 2003 to 160 utilities from 183 and to 150 cogenerators from 198.) In addition, coverage of the amount of electric power used by industry has also fallen about 30 percent since 1997 when compared to a benchmark of annual industry level electric power use statistics compiled by the U.S. Census Bureau. Consequently, the electric power data have become unacceptably volatile and have required a significant increase in Federal Reserve resources to continue the use of these data in the construction of industrial production. The electric power component of the IP indexes would most likely be replaced by production worker hours data provided by the Bureau of Labor Statistics.

Time Schedule for Information Collection and Publication

Respondents submit their data monthly to the appropriate Federal Reserve Bank, between the twentieth and the twenty-fifth day of the month following the usage period. The data are transmitted to the Board by the third business day of the month following collection by the Reserve Banks and are incorporated into the IP indexes, which are published in the G.17 statistical release on or around the fifteenth day of that month. Data are estimated for respondents that report late; the estimates are included in the indexes published in the G.17 release. The actual data are subsequently included in the revised IP series in the following month's G.17.

Legal Status

The Board's Legal Division has determined that this report is authorized by law (12 U.S.C. §225a, 263, 353 et seq, and 461) and is voluntary. Individual responses are exempt from disclosure pursuant to the Freedom of Information Act (5 U.S.C. §552 (b)(4)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimates of Respondent Burden

The annual burden that would be eliminated by the discontinuance of the FR 2009 is 2,820 hours, as shown in the table below. Total burden for this information collection represents less than 1 percent of total Federal Reserve System reporting burden.

	<i>Number of respondents²</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2009a/c	160	12	1.0	1,920
FR 2009b	150	12	0.5	<u>900</u>
Total				2,820

Based on a rate of \$20 per hour, the estimated cost savings to the public if this information collection is eliminated would be \$56,400.

Estimate of Cost to the Federal Reserve System

The annual cost to the Federal Reserve System for collecting and processing that would be saved if the information collection is eliminated is estimated to be \$125,860.

². The figures in the "number of respondents" column of the table represent the authorized panel size. Actual panel sizes are 120 utilities for the FR 2009a,c and 115 cogenerators for the FR 2009b.